DEPARTMENT OF ENERGY

Federal Energy Regulatory Commission

18 CFR Part 260

[Docket No. RM07–9–003; Order No. 710–B]

Revisions to Forms, Statements, and Reporting Requirements for Natural Gas Pipelines

AGENCY: Federal Energy Regulatory Commission.

ACTION: Final rule.

SUMMARY: In this Final Rule, the Federal Energy Regulatory Commission (Commission) is revising its financial forms, statements, and reports for natural gas companies, contained in FERC Form Nos. 2, 2–A, and 3–Q, to include functionalized fuel data on pages 521a through 521c of those forms, and to include on those forms the amount of fuel waived, discounted or reduced as part of a negotiated rate agreement. For consistency, the Commission also is revising page 520. The revisions are designed to enhance the forms' usefulness by providing greater transparency as to fuel data.

DATES: *Effective Date:* This rule will become effective February 25, 2011.

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SUPPLEMENTARY INFORMATION:

Before Commissioners: Jon Wellinghoff, Chairman; Marc Spitzer, Philip D. Moeller, John R. Norris, and Cheryl A. LaFleur.

Issued January 20, 2011.

1. The Federal Energy Regulatory Commission (Commission) is revising its financial forms, statements, and reports for natural gas companies, contained in FERC Form Nos. 2, 2–A, and 3–Q, to include functionalized fuel data on pages 521a through 521c of those forms, and to include on those forms the amount of fuel waived, discounted or reduced as part of a negotiated rate agreement. In addition, the Commission also is revising page 520 for consistency.

I. Background

2. In Order No. 710, the Commission revised its financial forms, statements, and reports for natural gas companies, contained in FERC Form Nos. 2, 2–A, and 3–Q, to make the information reported in these forms more useful by updating them to reflect current market and cost information relevant to interstate natural gas pipelines and their customers.[1] The information provided in these forms included data on fuel use, but did not require these data to be functionally disaggregated.

3. On rehearing, the American Gas Association (AGA) argued that the fuel data would be more useful if such data were broken out by different pipeline functions, including transportation, storage, gathering, and exploration/production, and should include, by function, the amount of fuel waived, discounted or reduced as part of a negotiated rate agreement. This argument originally was rejected in Order No. 710–A, and Chairman (then Commissioner) Wellinghoff issued a partial dissent arguing that AGA's proposals should have been adopted.[2]

4. Subsequently, AGA filed a petition for review in the United States Court of Appeals for the District of Columbia Circuit arguing that the Commission erred by not addressing the concerns raised by Chairman Wellinghoff in his partial dissent to Order No. 710–A. The court agreed and remanded the matter back to the Commission for further proceedings.[3]

5. On June 17, 2010, the Commission issued a notice of proposed rulemaking proposing to revise pages 521a, 521b, and page 520, and proposing to add pages 521c and 521d to FERC Form Nos. 2, 2–A, and 3–Q to include functionalized fuel data, including the amount of fuel waived, discounted or reduced as part of a negotiated rate agreement.[4]

6. In response to the June 2010 NOPR, comments were filed by eight commenters.[5] Certain of the comments presented proposals that differed from the Commission's proposals in the June 2010 NOPR. To give all interested persons an opportunity to comment on these proposals prior to making a final decision, the Commission issued a notice allowing reply comments. Reply comments were filed by two commenters.[6]

II. Discussion

A. Overview

7. After consideration of the comments, the Commission will revise pages 521a, 521b, and page 520 of FERC Form Nos. 2, 2–A, and 3–Q, and will add page 521c, as proposed in the June 2010 NOPR.[7] We make this determination because we find that the additional information to be reported on pages 521a–521c will allow the user to match the revenues generated by the sale of excess fuel with the functionalized costs reported on page 520 and will allow a user to better determine if there is a cross-subsidy. The revised forms will also now allow the user to determine where on the pipeline system fuel costs are being incurred and how they are being allocated. This added transparency will ensure that the Commission and pipeline customers have information critical to assessing the justness and reasonableness of pipeline rates. The collection and public availability of this information is consistent with our goal of having sufficient information reported to allow the Commission and pipeline customers to assess the impact on pipeline rates of changing fuel costs. The Commission also gave consideration to whether the data reported on FERC Form Nos. 2, 2–A, and 3–Q discussed herein should be reported on a monthly or quarterly basis. We have determined to require that the page 521 fuel use information should be reported on a monthly basis in the quarterly reports,[8] as that provides greater transparency.

8. These revisions to FERC Form Nos. 2, 2–A, and 3–Q do not require the

[1] *Revisions to Forms, Statements, and Reporting Requirements for Natural Gas Pipelines*, Order No. 710, 73 FR 19389 (Apr. 10, 2008), FERC Stats. & Regs. ¶ 31,267 (2008), *order on reh'g and clarification,* Order No. 710–A, 123 FERC ¶ 61,278 (2008), *remanded sub nom. American Gas Ass'n* v. *FERC,* 593 F.3d 14 (D.C. Cir 2010) (D.C. Circuit Remand Order).

[2] *Revisions to Forms, Statements, and Reporting Requirements for Natural Gas Pipelines,* Order No. 710–A, 123 FERC at 62,708–9.

[3] 593 F.3d at 21.

[4] *Revisions to Forms, Statements, and Reporting Requirements for Natural Gas Pipelines*, Notice of Proposed Rulemaking, 75 FR 35700 (June 23, 2010), FERC Stats. & Regs. ¶ 32,659 (June 17, 2010) (June 2010 NOPR).

[5] These commenters and the abbreviations used to identify them are provided in the attached Appendix.

[6] INGAA and AGA.

[7] As proposed pages 521c and 521d were identical, we no longer see a need for a separate page 521d.

[8] The data reported in FERC Form Nos. 2 and 2–A on page 521 represents fourth quarter data and is not a total of data for all four quarters.

reporting of previously unreported new categories of information.[9] Instead, the new requirements merely require greater transparency through a disaggregation of existing data categories. Moreover, the Commission has determined that the burden on filers of reporting this information is small and is justified by the usefulness of the information.

B. Support for the June 2010 NOPR Proposal

1. Commenters' Views

9. Of the eight comments filed in response to the June 2010 NOPR, six support the Commission's proposals.[10] One of the six comments offers suggestions for additional revisions to the forms.[11] In addition, one commenter seeks clarification as to the scope of the reporting requirements,[12] and another, while expressing support for the goals of the June 2010 NOPR, offers a counterproposal to accomplish these goals.[13]

10. APGA urges the Commission to adopt the proposed revisions to FERC Form Nos. 2, 2–A, and 3–Q.[14] While AGA also supports the June 2010 NOPR proposals and urges prompt action on a final rule,[15] AGA requests that the Commission require monthly reporting of volume throughput data on page 520 and separate reporting of backhaul volumes.[16] Associations add that the proposed revised reporting requirements would provide useful information.[17] TVA likewise supports the Commission's proposal to include additional line items in 521a and 521b to account for fuel information disaggregated by function.[18] IOGA supports the proposed changes in reporting, particularly the inclusion of lost and unaccounted-for gas ("LAUF") used in transportation, storage, gathering, and exploration/production in the fuel data required on FERC Form Nos. 2, 2–A, and 3–Q as a separate component of fuel, by function.[19] Kansas Commission supports the changes proposed in the NOPR.[20]

11. MidAmerican requests clarification that the reporting of discounted and negotiated fuel should only contain fuel volumes related to agreements that contain discounted or negotiated fuel.[21]

12. While INGAA expresses support for the Commission's goal of enhancing FERC Form No. 2 fuel use reporting, it asserts that the Commission's June 2010 NOPR went beyond AGA's original proposal of reporting fuel by function that has been waived, discounted, or reduced as part of a negotiated rate agreement. INGAA offers an alternative reporting plan that it asserts will meet the Commission's stated goals.[22]

2. Usefulness of Reporting Additional Details on Fuel Use

13. The Commission's proposal in the June 2010 NOPR would disaggregate fuel use data into Discounted, Negotiated and Recourse categories. By contrast, under INGAA's proposal, companies would report aggregated Dths and Total dollars collected by function for Gas Used for Compressor Stations, for Gas Used for Other Deliveries and Other Operations, Gas Lost and Unaccounted for, Net Excess or (Deficiency), Disposition of Excess Gas, and Gas Acquired to meet Deficiency (eliminating the reporting of data in columns b, c, d, f, g, and h, as proposed in the June 2010 NOPR).

14. The Commission's proposal would require filers to report Dths not collected under waived, discounted, and negotiated for Gas Used for Compressor Stations, for Gas Used for Other Deliveries and Other Operations, Gas Lost and Unaccounted for, Net Excess or (Deficiency), Disposition of Excess Gas, and Gas Acquired to meet Deficiency. Under INGAA's proposal, this reporting requirement (Dths not collected by function under waived and negotiated deals) would apply to shipper supplied gas only, including Lines 2–7 on pages 521a and 521b. This change would eliminate the reporting of waived, negotiated and total fuel for lines 9 through 64 that was proposed in the June 2010 NOPR.

15. Six of the seven commenters that addressed this issue contend that the NOPR proposal reports an appropriate level of detail on fuel use.[23] INGAA was the sole commenter arguing against the NOPR proposal in this regard.

16. INGAA urges that the Commission limit its revisions to FERC Form No. 2 to AGA's proposal in its response[24] to the September 2007 NOPR, arguing that the June 2010 NOPR went further than necessary to accomplish what AGA proposed, and objects to the June 2010 NOPR proposal as providing more information than necessary.[25] INGAA demonstrates its point by referring to AGA's November 13, 2007 comments which referenced pages 4, 5, and 6 of Workpaper 2, and Workpaper 10 of the Informational Fuel Report filed by Dominion Transmission, Inc., (DTI) in Docket No. RP00–632–023 on June 27, 2007, as an example of what should be included on page 521.[26] INGAA argues that neither the Commission nor AGA has made a case that the additional degree of reporting is required to facilitate monitoring for potential cross-subsidies among services.[27]

17. By contrast, AGA agrees that the level of detail in the information to be reported under the NOPR proposal is needed to adequately assess the justness and reasonableness of pipeline fuel charges, addresses the D.C. Circuit Remand Order, and the burden of producing such information is small and nonetheless justified.[28]

18. APGA also states that the additional reporting requirements proposed in the NOPR will better ensure that pipeline customers and the Commission have sufficient information to identify unjust and unreasonable rates and services and to support potential complaints.[29] APGA states that, under the Commission's current reporting requirements, customers and the Commission currently cannot match the revenues generated by the sale of excess gas with the reported functionalized fuel costs.[30] Information regarding both fuel costs and excess gas revenues, broken-down and reported by function (including gathering, transmission, distribution, storage and production/extraction/processing), will allow customers and the Commission to better assess how pipeline fuel costs are incurred and allocated.[31] Requiring pipelines to disaggregate their excess gas revenue information and report it by function will thus provide customers and the Commission with information

[9] As explained further below, reporting will be prospective in nature and data for previous periods need not be corrected and refiled.

[10] AGA, APGA, Associations, IOGA, Kansas Commission and TVA.

[11] AGA.

[12] MidAmerican.

[13] INGAA.

[14] APGA Comments at 1.

[15] AGA Comments at 1, 5–6.

[16] *Id.* at 6–9.

[17] Associations Comments at 3–4.

[18] TVA Comments at 2.

[19] IOGA Comments at 1–2.

[20] Kansas Commission Comments at 1.

[21] MidAmerican Comments at 3–4.

[22] INGAA Comments at 1.

[23] MidAmerican Comments do not take a position on this issue.

[24] AGA Comments filed November 13, 2007 at 4–5 to the September 2007 NOPR. *See Revisions to Forms, Statements, and Reporting Requirements for Natural Gas Pipeline,* Notice of Proposed Rulemaking, 72 FR 54860 (Sept. 27, 2007), FERC Stats. & Regs. ¶ 32,623 (2007) (September 2007 NOPR).

[25] INGAA Comments at 3.

[26] *Id.* at 4.

[27] *Id.* at 11.

[28] AGA Comments at 5–6.

[29] APGA Comments at 2.

[30] *Id.* at 3.

[31] *Id.*

necessary to better determine the reasonableness of pipeline fuel rates.[32]

19. APGA also supports the Commission's proposal to require pipelines to report the amount of fuel by function that has been waived, discounted or reduced in negotiated rate agreements.[33] It states that, under the Commission's policy, existing shippers are protected from subsidizing pipeline customers who have negotiated rates.[34] It adds that the Commission's proposal to require pipelines to report fuel costs and revenues associated with each type of rate structure (i.e., negotiated, discounted, or recourse) by function will aid customers and the Commission in identifying inappropriate cross-subsidization.[35]

20. Associations assert that the revised reporting requirements will improve the reporting of fuel data in FERC Form No. 2.[36] Associations maintain that pipeline fuel revenues can constitute a substantial percentage of a pipeline's total system revenues, and therefore, ensuring that shippers are not paying excessive fuel rates or percentages is extremely important.[37]

21. Associations comment that shippers will benefit from having functionalized fuel data reported on FERC Form No. 2 because this will allow shippers: (1) To ensure that rates are just and reasonable, as the greater level of detail will allow them to better assess whether pipelines are substantially over recovering fuel from their shippers [38] and (2) to assess whether they are subsidizing other shippers.[39] In this regard, Associations state that functionalized reporting will show the sources and uses of a pipeline's fuel by service type on FERC Form No. 2. Associations state that functionalized fuel reporting, for example, will show a pipeline's shippers the amount of fuel that storage users provided to the pipeline, as well as how much of that fuel the pipeline actually used for storage services.[40] If storage users in this example provided less fuel than the pipeline used for storage services, shippers using other pipeline services might want to take a closer look at the pipeline's fuel to determine whether they are subsidizing the storage shippers' fuel.[41] Thus, Associations assert that functionalized fuel data will allow shippers to confirm that they are providing the appropriate amount of fuel to the pipeline and are not subsidizing other shippers.[42]

22. Associations also support breaking out fuel volumes and revenues into rate types—discounted rates, negotiated rates or recourse rates—and maintain that this level of detail will provide shippers and the Commission with information that will be useful in assessing fuel rates.[43] Associations maintain that reporting fuel volumes and revenues by rate type will help shippers ensure: (1) The prevention of inappropriate subsidization; (2) the accuracy of pipeline fuel trackers; and (3) the compliance of pipelines with the Commission's fuel discounting policies.[44]

23. Associations also state that requiring pipelines to report fuel data by rate type would prevent subsidization of some shippers by allowing the Commission and shippers to distinguish between those fuel discounts that are eligible for a discount adjustment in a rate case and those that are not.[45] Associations add that, as the new FERC Form No. 2 will require pipelines to identify discounted fuel volumes and revenues as either "discounted," "negotiated," or "recourse," shippers could use these data to distinguish between those fuel discounts that are appropriately included as adjustments in a rate case (e.g., backhauls) and those that are not (e.g., discounts that are part of a negotiated rate).[46] Moreover, Associations assert that this detail gives shippers a better indication of what appropriate fuel rates should be, allowing the shippers to determine if fuel rate changes are warranted.[47]

24. Finally, Associations argue that reporting fuel data by rate type could provide an added check on fuel tracker calculations and on pipelines' compliance with fuel discounting policies.[48]

25. IOGA maintains that it is critical to include and break out LAUF, which it asserts, has been far in excess of actual fuel use on certain Appalachian pipelines.[49] In this regard, IOGA posits that requiring interstate pipelines to break out fuel and LAUF by function in FERC Form Nos. 2, 2–A, and 3–Q would be helpful to IOGA's efforts to limit fuel and LAUF assessed to shippers and ultimately netted back to Appalachian producers.[50] Because the Appalachian pipelines are part of integrated energy companies engaged in exploration, production, gathering, storage and transportation of natural gas, IOGA asserts that it has long been concerned that unmetered gas flow allocable to affiliated exploration and production affiliates or farm tap customers of affiliated LDCs becomes LAUF charged to other shippers, instead.[51] It states that increasing the transparency of FERC Form Nos. 2, 2–A, and 3–Q could help alleviate those concerns.[52]

26. IOGA also argues that requiring the filing of more transparent fuel and LAUF data will allow the Commission and interested market participants to better analyze allegedly extraordinary fuel and LAUF experienced by certain interstate pipelines.[53] For example, IOGA notes that one interstate pipeline serving the Appalachian basin recently made a filing with the Commission claiming that its actual gathering fuel and LAUF during a 12-month period was in excess of 11 percent.[54] IOGA asserts that pipeline recovery of fuel and LAUF should be minimized to the extent possible. If gas is disappearing between the wellhead and the interconnection between a pipeline's gathering and transmission facilities, IOGA argues that producers and shippers deserve to know why.[55] IOGA further argues that, by increasing its ability to compare fuel and LAUF experienced among pipelines, the Commission will be better equipped to determine whether a given level of fuel and LAUF is unjust and unreasonable and whether the cost should be borne by the pipeline rather than by its customers.[56]

27. Kansas Commission asserts that the information submitted on the Commission's financial forms is critical to the ability of shippers and other interested parties to assess pipeline rates, and as such should be as complete and detailed as practical.[57]

28. TVA agrees with the June 2010 NOPR assertion that breaking down fuel costs and revenues associated with negotiated, discounted, or recourse rate structures by function will provide greater clarity on the justness and reasonableness of rates.[58] In addition, TVA agrees that reporting the amount of

[32] *Id.*
[33] *Id.* at 3.
[34] *Id.*
[35] *Id.*
[36] Associations Comments at 3.
[37] *Id.* at 3.
[38] *Id.* at 4.
[39] *Id.*
[40] *Id.*
[41] *Id.*
[42] *Id.* at 5.
[43] *Id.*
[44] *Id.*
[45] *Id.*
[46] *Id.* at 5–6.
[47] *Id.* at 6.
[48] *Id.*
[49] IOGA Comments at 2.
[50] *Id.* at 2–3.
[51] *Id.* at 3.
[52] *Id.*
[53] *Id.*
[54] *Id.*
[55] *Id.*
[56] *Id.*
[57] Kansas Commission Comments at 1.
[58] TVA Comments at 2–3.

fuel by function that has been waived, discounted, or reduced as part of a negotiated rate agreement will allow for the determination of whether cross-subsidization is occurring, and thus, is critical to assessing the justness and reasonableness of the pipeline's fuel rates in the absence of mandated rate cases.[59]

29. Further, TVA hopes that the added transparency will encourage support for pipelines to develop, and customers to support, incentive fuel initiatives, as tracking mechanisms with a true-up process do little to promote capital investment for energy efficiency.[60] In addition, it states that the proposed changes will add detail and promote transparency when considering the unknown impact of cost-recovery resulting from potential carbon legislation requirements associated with monitoring and/or reporting greenhouse gas emissions.[61]

30. INGAA, by contrast, would have the pipelines aggregate fuel use data by function along with the volume of fuel "not collected."[62] INGAA asserts that this approach has the benefit of focusing the additional fuel use reporting on the areas that gave rise to AGA's original concerns of fuel waivers and negotiated rate contracts that could present cross subsidy concerns.[63]

31. Specifically, INGAA suggests the following revisions to page 521a and b:

(1) Lines 1–7: Total volume and the dollar value of shipper-supplied fuel gas, by function, with volumes "not collected" because the otherwise applicable fuel rate was waived (column (d)) or because a negotiated fuel rate was less than the recourse rate (column (e)), along with the pertinent account(s) under the Uniform System of Accounts.

(2) Lines 8–14: Total volume and dollar value of gas used in compressor stations, by function.

(3) Lines 15–22: Same data for miscellaneous "other deliveries" and "other operations."

(4) Lines 23–30: Same data for LAUF.

(5) Lines 31–37: A calculation of the excess or deficiency by function.

(6) Lines 38–51 and 52–65: Disposition of the excess or source of gas acquired to meet a deficiency.[64]

32. INGAA also suggests that the Commission not include a separate reporting category for discounted rates because pipelines cannot discount the fuel use component of a discounted rate because it is a non-discountable variable cost.[65]

33. AGA responds that, as recognized in the June 2010 NOPR, the Commission has a policy against existing shippers subsidizing the negotiated rate program, and it notes that the June 2010 NOPR properly concluded that the information proposed to be required could be useful in identifying potential violations of that policy.[66] AGA objects to INGAA's counterproposal, arguing that the NOPR proposal would increase the ability of the Commission and interested parties to assess whether a pipeline's existing shippers are subsidizing the pipeline's negotiated rate program, while INGAA's counterproposal would effectively delete much of the information sought in the June 2010 NOPR.[67]

34. AGA notes that INGAA argued in its comments that reporting fuel use data by customer contract would require pipelines to establish mechanisms for allocating fuel use among the types of contracts (negotiated, discounted, or recourse).[68] AGA believes that it would be appropriate for pipelines to make those allocations transparent through the reporting requirements proposed in the NOPR.[69]

35. Unless the pipeline itself provides its allocation methods on its financial forms, AGA argues that customers cannot adequately assess the costs and revenues associated with fuel charges to discounted and negotiated rate customers.[70] Commission staff and interested parties cannot be expected to estimate or otherwise discern a pipeline's allocation scheme in the absence of information from the pipeline itself. Accordingly, AGA urges the Commission to require pipelines to report fuel costs and revenues by rate structure (discounted, negotiated, recourse) broken down by function as proposed in the June 2010 NOPR.[71] Thus, AGA supports the June 2010 NOPR proposal and urges the Commission to reject the proposals advanced by INGAA.[72]

3. Commission Determination

36. In Order No. 710–A, the Commission found that the detail sought by AGA might provide additional clarity with respect to fuel costs, but decided not to require the reporting of this information based on concerns over the burden associated with compliance with such a requirement.[73] The Commission also declined to accept AGA's proposal to require natural gas pipelines to report details about the amount of fuel that they waived, discounted or reduced as part of a negotiated rate agreement based on concerns that this information might not be significant and might not be readily available, as many pipelines do not periodically file to adjust fuel rates and may not keep records of this type of information.[74]

37. After consideration of the comments and reply comments to the June 2010 NOPR, the Commission finds that the additional information to be reported on pages 521a and 521b will allow users to match the revenues generated by the sale of excess fuel with the functionalized costs reported on page 520 and will allow users to better determine if there is a cross-subsidy, which is critical to assessing the justness and reasonableness of the pipeline's fuel rates particularly in the context of pipelines' negotiated rate program. We find that requiring the reporting of fuel costs and revenues by rate structure broken down by function will increase the ability of the Commission and interested parties to assess whether a pipeline's existing shippers are subsidizing the pipeline's negotiated rate program. Thus, we find that INGAA's proposal would effectively delete much of the valuable information sought in the June 2010 NOPR.

38. The revised forms also will now allow the user to better determine where on the pipeline system fuel costs are being incurred and how they are being allocated. This added transparency, which is supported by the majority of the commenters, will ensure that the Commission and pipeline customers have sufficient information to be able to assess the justness and reasonableness of pipeline rates. The collection and public availability of this information is consistent with our goal of having sufficient information to allow the Commission and pipeline customers to assess the impact on pipeline rates of changing fuel costs.

39. By contrast, if we adopted INGAA's suggestion to limit the revisions to FERC Form No. 2 to those originally proposed by AGA, then the benefits of increased transparency of rates, particularly within the negotiated rate program, which are described in the two preceding paragraphs, would not be

[59] *Id.* at 3.

[60] *Id.*

[61] *Id.*

[62] INGAA Comments at 2.

[63] *Id.* at 6. INGAA provides its recommended revisions for a revised page 521a in Appendix A to its comments.

[64] *Id.* at 7.

[65] *Id.*

[66] AGA Reply Comments at 2.

[67] *Id.*

[68] *Id.*

[69] *Id.*

[70] *Id.*

[71] *Id.*

[72] *Id.*

[73] *Revisions to Forms, Statements, and Requirements for Natural Gas Pipelines* Order No. 710–A, 123 FERC ¶ 61,278 at P 10.

[74] *Id.* P 11.

fully realized. The Commission's proposal better captures important information about a company's fuel use. The fact that this is not identical to that proposed by AGA to the September 2007 NOPR in no way refutes the usefulness of these data being reported and made available to the Commission and the public.

40. Moreover, requiring the reporting by function of the amount of fuel waived, discounted or reduced as part of a negotiated rate agreement will enable pipeline customers to better determine if inappropriate cross-subsidization is occurring. The Commission has a policy that existing shippers must not subsidize the negotiated rate program; this additional information would be useful in identifying potential violations of that policy.[75] The revised schedules adopted in this Final Rule will functionally disaggregate the fuel costs and revenues associated with each type of rate structure (i.e., negotiated, discounted, or recourse) to provide users with better information to assess the justness and reasonableness of a pipeline's fuel rates.

41. In this Final Rule, therefore, the Commission is revising the financial reporting forms required to be filed by natural gas companies (FERC Form Nos. 2, 2–A, and 3–Q) to include functionalized fuel data on pages 521a, 521b, and 521c of those forms, and to include on such forms the amount of fuel waived, discounted or reduced as part of a negotiated rate agreement. Specifically, the Commission is revising pages 521a and 521b in the following manner:

(1) Expanding line 1 to separately reflect shipper supplied fuel by function (now shown on lines 1–7 on page 521a), i.e., production/extraction/processing, gathering, transmission, distribution, and storage;

(2) Expanding lines 2, 3, and 4 to separately list the volumes for each of these functions (now shown on lines 8–30 on page 521a);[76]

(3) Expanding the listing of volumes in columns (b), (c), and (d) to include discounted, negotiated and recourse rates;

(4) Expanding line 6, net excess or deficiency, to separately list the volumes for each of these functions (now shown on lines 31–37 on page 521b);

(5) Expanding the reporting of dollar amounts in columns (f) through (i) to include amounts collected under discounted, negotiated and recourse rates;

(6) Requiring the reporting of volumes of gas (in dekatherms) in columns (j) through (m) not collected where the request for that gas has been waived or reduced under discounted or negotiated rates; and

(7) Directing filers (if the pipeline does not use a particular function) to enter a zero for that field.

42. FERC Form Nos. 2, 2–A, and 3–Q involve estimates and allocations and the methods for making these allocations are to be documented in FERC Form Nos. 2, 2–A, and 3–Q. Thus, we will add an instruction to page 521a to require that companies disclose their fuel use allocation method(s) in a note to these financial forms.

C. Separate Reporting of Forwardhaul and Backhaul Throughput Volumes

1. Comments

43. AGA favors further revisions to the forms to require interstate pipelines to separately report forwardhaul and backhaul throughput volumes associated with detailed fuel use, LAUF, and fuel collections data reported on the revised FERC Form No. 2.[77] AGA cites a recent case involving the calculation of retention percentages for fuel use and LAUF where, it asserts, the Commission determined that additional data were required regarding forwardhaul and backhaul deliveries in order to properly determine a pipeline's level of fuel use.[78]

44. AGA argues that in *Columbia Gulf* the Commission stated that it was unable to determine whether the throughput figures set forth on page 305 of the pipeline's FERC Form No. 2 filings included or excluded backhaul volumes and that the Commission accordingly directed the pipeline to provide "[f]orward haul and backhaul deliveries stated separately for the mainline, onshore, and offshore zones for each month" for a specified period of time.[79] AGA asserts that the Commission recognized in that case that accurate forwardhaul and backhaul throughput data are important for the Commission and shippers to properly assess fuel use and LAUF, and that the current FERC Form No. 2 is not adequate to collect the separate forwardhaul and backhaul throughput data needed to conduct a proper analysis of fuel use and lost and unaccounted for fuel costs.[80]

45. AGA maintains that the current rulemaking is the proper proceeding in which to consider this revision, even though it was not raised earlier, because the purpose of this proceeding is to revise the financial forms for interstate pipelines "to provide, in greater detail, the information the Commission needs to carry out its responsibilities under the NGA to ensure that rates are just and reasonable, and to provide pipeline customers and the public the information they need to assess the justness and reasonableness of pipeline rates."[81]

46. In its reply comments INGAA disagrees with AGA's proposal for an additional breakout of forwardhaul and backhaul data, arguing that this is neither practical nor necessary to achieve the Commission's FERC Form No. 2 reporting goals.[82] In INGAA's view, the fact that this information was deemed important by the Commission in *Columbia Gulf* does not warrant a general requirement that it be reported across the industry on an ongoing basis.[83] INGAA also notes that "typically no fuel is used for backhaul volumes, although the Commission requires an allocation of LAUF gas [to] be attributed to backhauls."[84]

47. INGAA cautions that if the proposal involves the reporting of fuel retained and fuel used on backhaul volumes, this would present practical difficulties with respect to backhauls that use no compressor fuel (citing *Mississippi River Transmission Corp.,* 98 FERC ¶ 61,119 at 61,353 (2002) in this regard). However, INGAA agrees that these problems would not be present if the proposal only requires the reporting of forwardhaul and backhaul throughput volumes, which is all that is being required in this Final Rule.

48. INGAA comments that, particularly on a reticulated pipeline, gas flows in each direction, depending on demand and storage operations, and there may be no specific or designated transportation path for many services, which makes reporting problematic or impossible.[85] INGAA argues that the current gas system does not provide shippers with a set capacity path and that gas flows in each direction, depending on demand and storage, and this is why the Commission declined to adopt a generic requirement to establish

[75] *See Alternative to Traditional Cost-of-Service Ratemaking for Natural Gas Pipelines; Regulations of Negotiated Transportation Services of Natural Gas Pipeline* (*Alternative Rate Policy Statement*), 74 FERC ¶ 61,076, at 61,242 (1996), *order granting clarification,* 74 FERC ¶ 61,194 (1996), and *NorAm Gas Transmission Company,* 77 FERC ¶ 61,011 (1996).

[76] Lines 2–4 previously consisted of: (2) Less gas used in compressors; (3) Less gas used for other operational purposes (footnote); and (4) Less gas lost and unaccounted for.

[77] AGA Comments at 1, 7–9.

[78] (Citing *Columbia Gulf Transmission Co.,* 132 FERC ¶ 61,009, at P 38 (2010) (*Columbia Gulf*)).

[79] AGA Comments at 8.

[80] *Id.*

[81] *Id. Revisions to Forms, Statements, and Reporting Requirements for Natural Gas Pipelines,* citing Order No. 710, FERC Stats. & Regs. ¶ 31,267 at P 1.

[82] INGAA Reply Comments at 2.

[83] *Id.*

[84] *Id.* at n.1.

[85] *Id.* at 3.

a path priority system in Order No. 637.[86]

49. In addition, INGAA argues that a single transportation service can involve a combination of forwardhauls or backhauls; thus, classifying each dekatherm of transportation as forwardhaul or backhaul is impossible.[87]

2. Commission Determination

50. Currently FERC Form No. 2 does not require a distinction between forwardhaul and backhaul volumes. Since compressor fuel use is not assessed to backhaul volumes, it is inaccurate to include backhaul volumes for throughput.

51. After consideration of all the arguments on this issue, we find that it would be informative and useful for pipelines to separately report their forwardhaul and backhaul volumes, because this would allow the Commission and customers to determine whether the fuel use being assigned to customers in their bills contain any cross-subsidies, based on the inclusion of backhaul volumes in their gas purchases, and thus help ensure that rates are just and reasonable. We also find that the benefits arising from this reporting, providing the opportunity to track fuel costs and examine cross-subsidies, outweigh the burden of reporting such data.

52. As to INGAA's argument that it would not be possible, even for the services that are pathed, to classify each dekatherm of transportation as either forwardhaul or backhaul, we conclude that, for a majority of pipelines, this is not a significant problem. Many pipelines offer clearly defined backhaul services that are defined in their tariffs. In order to offer and, ultimately, provide that service, those pipelines must be able to determine the volumes for which the service is provided. However, some pipelines do not offer backhaul service, and for these pipelines it is reasonable to expect that backhaul volumes may not be able to be tracked. Therefore, the Commission will require reporting on this matter depending on the service identified in the tariff. If backhaul service is not offered under the tariff, the reporting pipeline may report as if the service it offers is entirely forwardhaul. The reporting pipeline must separately identify backhaul volumes only if it offers backhaul service in its tariff and provides this service to customers.

[86] *Id.* at 4.

[87] *Id.* at 4–5.

D. Clarification of Whether Additional Details on Fuel Use Only Apply in Instances Where Contract Provides for Discounted or Negotiated Fuel Rates

1. Comments

53. MidAmerican comments that, to its knowledge, very few discounted and negotiated rate agreements include a provision for discounted or negotiated fuel.[88] Thus, MidAmerican suggests that the Commission clarify that columns (b) and (c) of pages 521a and 521b and columns (f) and (g) of pages 521c and 521d include only contracts with discounted or negotiated fuel rates, and the column headings be revised to read "Discounted Fuel Rate" and "Negotiated Fuel Rate."[89]

54. MidAmerican further argues that the columns should only contain volumes related to agreements with discounted or negotiated fuel, not fuel volumes related to all discounted or negotiated agreements, if the purpose of the information is to determine if there is a cross subsidy.[90]

2. Commission Determination

55. In this Final Rule, we are requiring pipelines to report fuel use by function for all contracts involving discounted rates, negotiated rates, or recourse rates. We reject MidAmerican's proposal to only require the reporting of fuel costs in contracts where the fuel rate is discounted. Under MidAmerican's proposal, how a contract is structured would dictate whether it would be within the scope of the reporting requirements of this Final Rule and MidAmerican states that very few discounted and negotiated rate agreements include a provision for discounted or negotiated fuel. If this is so, or if future contracts are specifically written to make it so, then, under MidAmerican's proposal, many contracts that otherwise would be included in the reporting requirements would not be reported. This would have the consequence of diminishing the benefits of enhanced transparency that we hope to achieve with this Final Rule and thus we reject MidAmerican's suggestion.

56. As to MidAmerican's suggestion that columns (b) and (c) on pages 521a and 521b, and columns (f) and (g) on pages 521c and 521d, should only contain volumes and dollars related to agreements with discounted or negotiated fuel, not fuel volumes or dollars related to discounted or negotiated agreements, for the reasons stated, we clarify that the amounts reported on pages 521a and 521b in columns (b) and (c) and on page 521c at columns (f) and (g) reflect shipper supplied gas collected under all discounted or negotiated rate agreements.[91]

[88] MidAmerican Comments at 3.

[89] *Id.*

[90] *Id.*

E. Monthly v. Quarterly Reporting

57. As mentioned above, FERC Form Nos. 2 and 2–A are annual reports and FERC Form 3–Q is a quarterly report. In the June 2010 NOPR, the Commission invited comments on whether the data reported on FERC Form Nos. 2, 2–A, and 3–Q should be reported on a monthly or quarterly basis (i.e., whether the data should provide separate entries for each month, or one entry covering the entire quarter).

1. Comments

58. AGA favors continuation of the requirement for monthly reporting of fuel use on page 521, asserting that important seasonal changes would be obscured by quarterly reporting.[92] AGA states that the consumption of natural gas in the United States varies significantly from one month to the next and, while demand in the industrial sector is largely constant, demand in the residential and commercial sector is weather-driven and has a dramatic seasonal shape with a winter peak.[93]AGA also notes that demand in the power generation sector is weather sensitive with a summer peak, or in some cases bi-modal with both winter and summer peaks.[94] AGA states that, because fuel is a variable cost and varies with consumption, the amount of fuel costs and revenues experienced by interstate pipelines varies by month and the fuel cost and revenue data of interstate pipelines does not fit neatly into calendar quarters. Consequently, significant variations in fuel data would be masked by fuel reporting only on a quarterly basis.[95]

59. AGA further recommends that the fuel information on page 520 be reported on a monthly basis.[96] AGA argues that, as the Commission noted in the June 2010 NOPR, the fuel information reported on page 520 works in tandem with the information reported on page 521 and should allow a shipper to match the functionalized costs on page 520 with the functionalized

[91] As discussed above, the revised forms we are adopting in this Final Rule do not include page 521d.

[92] AGA Comments at 1, 6–7.

[93] *Id.* at 6.

[94] *Id.*

[95] *Id.*

[96] *Id.* at 7, AGA Reply Comments at 5, and AGA Further Reply Comments at 4.

revenues on page 521.[97] Having only quarterly information reported on page 520 would impede the ability of shippers and the Commission to match costs and revenues with the monthly information reported on page 521.[98] Therefore, AGA requests that page 520 of the financial reports be revised to add the appropriate columns to reflect the reporting of the information on that page on a monthly basis.[99]

60. Associations also argue that providing shippers with access to detailed fuel information on a monthly basis, such as functionalized fuel data by rate type on FERC Form No. 2, would allow the Commission and shippers to ensure that fuel rates remain just and reasonable.[100] Associations state that better information would also help the Commission and shippers to develop a Natural Gas Act (NGA), section 5 complaint proceeding case and, further, would allow parties to confirm fuel tracker reports.[101]

61. IOGA urges the Commission to retain the requirement for the monthly filing of fuel data.[102] In IOGA's experience, fuel and LAUF can vary significantly from month to month. Monthly breakdowns in FERC Form Nos. 2, 2–A, and 3–Q could provide valuable data that might be masked by aggregated quarterly data.[103] IOGA notes that pipelines already report transportation and gathering quantities by month, and contends that quarterly reporting of fuel and LAUF as proposed by INGAA will foreclose accurate comparative analysis of the relationship between quantities shipped and fuel and LAUF on a monthly basis.[104]

62. IOGA further argues that, as pipelines track throughput, fuel and LAUF data monthly for invoicing and other purposes, a requirement to report fuel and LAUF by month will not pose additional administrative burden or expense.[105]

63. Kansas Commission believes that monthly reporting of this information is not necessary to provide the information required to effectively evaluate a pipeline's rates. Therefore, Kansas Commission supports INGAA's suggestion to change the reporting requirements to quarterly.[106]

64. INGAA argues that the reporting requirements should be quarterly.[107] INGAA comments that, because of weather events and anomalous events in the data, monthly data cannot provide an accurate picture or trend.[108] INGAA also asserts that pipelines with storage assets or significant line pack do not need to dispose of excess fuel, so monthly data would not provide an accurate picture of fuel use.[109]

65. In response to INGAA, AGA argues that monthly reporting is preferable, because significant variations in fuel data can be masked by fuel reporting on a quarterly basis,[110] and quarterly data cannot be disaggregated to obtain monthly information to determine what costs or revenues were experienced and by what functions. Only monthly fuel information will provide sufficient transparency to allow the Commission and interested parties to assess the justness and reasonableness of interstate pipeline fuel charges.[111] AGA also notes that INGAA did not contradict AGA's observation that weather variations and the location of shipper-scheduled volumes on the pipeline from month to month have a substantial effect on fuel consumption.[112]

2. Commission Determination

66. In Order No. 710, the Commission eliminated FERC Form No. 11, the Natural Gas Pipeline Company Quarterly Statement of Monthly Data, and shifted the reporting of that information to FERC Form Nos. 2 and 3–Q.[113] We found that this fuel use information provides critical data for detecting trends, determining seasonal variation of fuel use, and testing the reasonableness of a pipeline's fuel costs. Upon further consideration of this issue in the instant docket, the Commission finds that monthly reporting provides greater transparency and provides more representative information about a pipeline's fuel use than quarterly reporting and we will retain this requirement.

67. Reporting data on a monthly basis provides more accurate accounting of fuel use, allowing for a better understanding of pipeline operations, and provides critical detail to understand how the pipeline treats its fuel. It would not be unexpected that a pipeline's operating parameters would change from January to March, from April to June, from July to September, or from October to December. It would seem counter to the interest of increased transparency to reduce the granularity of fuel use data over these periods. The monthly data are more representative of the pipeline's varying operations, enabling the transparency required by Order No. 710 to more fully evaluate a pipeline's fuel use and address the concerns of the remand. We conclude that moving to quarterly reporting would gloss over natural gas monthly fluctuations, thus distorting what actually occurred during the reporting period. Thus, we find that fuel use data should continue to be reported on a monthly basis, and not on a quarterly basis.

68. As to AGA's proposal to modify page 520 to have respondent companies report transmission throughput volumes on a monthly basis, we note that AGA did not provide specific reasons supporting the imposition of this requirement. Currently, page 520 only requires that transmission volumes be reported on a quarter and year to date basis and we see no need to revise this requirement. The reporting of transmission volume throughput and the reporting of fuel data are separate matters and the additional information to be provided on fuel use does not provide a reason to further break down transportation volume throughput. Thus, we find that the quarterly separation of that data is sufficient and we will not impose the additional burden on filers to break down these data in the absence of demonstrated benefits.

F. Burden

1. Comments

69. AGA, APGA, and Kansas Commission comment that the burden of producing and reporting the additional details on fuel use proposed in the June 2010 NOPR is both small and justified.[114] By contrast, INGAA finds the June 2010 NOPR proposal unduly burdensome.[115]

70. Specifically, APGA comments that pipelines should have this information readily available because they maintain it for their own purposes.[116] Given the potential benefit of the information and the relatively low compliance burden on pipelines, APGA supports the Commission's proposal to require pipelines to report the amount of fuel

[97] AGA Comments at 7.
[98] *Id.*
[99] *Id.*
[100] Associations Comments at 4.
[101] *Id.*
[102] IOGA Comments at 3.
[103] *Id.*
[104] *Id.* at 4.
[105] *Id.*
[106] Kansas Commission Comments at 2.
[107] INGAA Comments at 3.
[108] *Id.*
[109] *Id.* at 11.
[110] AGA Reply Comments at 3.
[111] *Id.*
[112] *Id.*
[113] *Revisions to Forms, Statements, and Reporting Requirements for Natural Gas Pipelines,* Order No. 710, FERC Stats. & Regs. ¶ 31,267 at P 51, Order No. 710–A, 123 FERC ¶ 61,278 at P 3.
[114] *See, e.g.,* AGA Comments at 5.
[115] INGAA Comments at 3.
[116] APGA Comments at 3.

waived, discounted or reduced as part of negotiated rate agreements.[117]

71. Kansas Commission states that the benefits of the additional reporting outweigh any burden that might be placed on the reporting pipelines.[118] Given that pipelines already functionalize this data for ratemaking purposes, Kansas Commission concludes that the burden on pipelines will be minimal.[119]

72. Kansas Commission further argues that, in the absence of a mandatory requirement for pipelines to periodically restate their base tariff rates, the Commission must rely on section 5 of the NGA to police pipeline rates. Under these circumstances, the need for functionalized data is heightened.[120] Without functionalized data, shippers and other interested parties cannot determine whether a pipeline is cross-subsidizing service, and the efficacy of the NGA section 5 complaint process is undermined.[121] Accordingly, the Kansas Commission supports the Commission's proposal to require functionalized fuel data to be included on pages 521a and 521b of FERC Form No. 2.[122] Kansas Commission also supports the Commission's proposal to require pipelines to report the amount of fuel waived, discounted or reduced as part of a negotiated rate agreement.[123]

73. INGAA maintains that the Commission's proposal is unnecessarily burdensome.[124] First, INGAA maintains that it is difficult for pipelines to track fuel use by individual contract or contract type because pipelines operate on an integrated basis.[125] Second, INGAA asserts that it would require substantially more information than would be provided under this proposal to enable FERC Form No. 2 users to monitor potential cross-subsidy concerns.[126] Third, INGAA comments that pipelines will have to establish a mechanism for allocating fuel use between or among services and contracts.[127]

2. Commission Determination

74. The Commission finds that fuel use data on a functionalized basis is needed to obtain the transparency necessary to ensure just and reasonable rates. Additionally, we find that this reporting requirement is not unnecessarily burdensome. Currently, pipelines that file annual fuel use trackers assign fuel to their individual shippers. In this Final Rule, the Commission is not imposing any additional reporting requirements that change how those pipelines track fuel. Pipeline billings are provided on an integrated basis, accounting for sales based on whether the volumes are negotiated, recourse, or discounted. Moreover, contrary to INGAA's assertions, the Commission is not requiring pipelines to track fuel by individual contracts, but merely continuing the current practice of requiring the assignment of fuel based on an allocation of throughput or stated fuel rate. The revisions to page 521a through 521c require the same accounting mechanism for fuel, enabling parties to better understand how fuel use costs are assigned.

75. The Commission in the June 2010 NOPR estimated the annual burden to comply with the requirements established in Docket No. RM07–9–003 while inviting comments on the cost to comply with the proposed requirements. We estimated that the additional collection costs would not be overly burdensome.[128] The Commission provided its best estimate of the time required to complete page 521a through 521d. No party presented data contradicting the Commission's estimate. While INGAA contends that the proposal is burdensome, INGAA did not identify any inaccuracies in the Commission's estimate, did not quantify its own estimate of the impact of reporting fuel on a functionalized basis, and did not provide any support for its contention that functionalizing fuel would be burdensome to the pipelines. In this Final Rule, as discussed above, we are adding a requirement to report information on forwardhauls and backhauls and we are revising our burden estimate to account for this requirement. The Commission finds that, even with this minor additional reporting requirement, the benefits of enhanced transparency provided by the additional reporting proposed in the June 2010 NOPR outweigh the burden placed on the pipelines. Further, we find that our estimated burden hours (as adjusted) are small and reasonable, and we will continue to require fuel to be reported on a functionalized basis.

G. Implementation Date

1. Comments

76. AGA contends that the new rules should apply to the financial forms that are required to be filed beginning in calendar year 2011.[129] AGA states that the annual financial reports (FERC Form Nos. 2 and 2–A) showing data for calendar year 2010 would be required to be filed on April 18, 2011. Quarterly financial reports (FERC Form No. 3–Q) would be required to be filed 60 days (for major pipelines) or 70 days (for non-major pipelines) after the end of the reporting quarter. Thus, the first quarterly financial reports in 2011 would be due March 1, 2011 (for majors) and March 10, 2011 (for non-majors), based on fourth quarter 2010 data.[130]

77. INGAA comments that changes to FERC Form No. 2 should be prospective.[131] It states that this approach will provide pipelines adequate time to put data collection software in place.[132] In addition, it states that implementing the changes prospectively will allow time for pipelines to complete any engineering or other operational studies that might be needed for pipelines that do not already have accounting systems in place to make reasonably accurate estimates.[133] INGAA urges that pipelines be permitted to collect any additional data the Commission may require in 2011, with reporting to begin in 2012.[134]

2. Commission Determination

78. We conclude that the information to be reported under this Final Rule may require some companies to revise accounting systems to accurately allocate fuel use. While this is already reflected in the burden estimate, we nonetheless will revise the implementation schedule that we proposed in the June 2010 NOPR to address this concern. Additionally, we are not requiring companies subject to this Final Rule to refile the FERC Form Nos. 2, 2–A, and 3–Q that they have already filed.

79. Companies subject to these new requirements must begin collecting the more detailed data starting on July 1, 2011, and must use that data in completing their FERC Form Nos. 2, 2–A, and 3–Q thereafter. The revised data requirements would first be reflected in the FERC Form No. 3–Q filings for the

[117] *Id.* at 4.
[118] Kansas Commission Comments at 1.
[119] *Id.*
[120] *Id.* at 2.
[121] *Id.*
[122] *Id.*
[123] *Id.*
[124] INGAA Comments at 2.
[125] *Id.* at 2.
[126] *Id.*
[127] *Id.*

[128] June 2010 NOPR, FERC Stats. & Regs. ¶ 32,659 at P 19.

[129] AGA Comments at 5–6.
[130] *Id.* at 6.
[131] INGAA Comments at 3.
[132] *Id.* at 12.
[133] *Id.*
[134] INGAA Reply Comments at 2.

period July 1 through September 30, 2011, which must be filed within 60 days of the end of the reporting quarter for majors and within 70 days of the end of the reporting quarter for non-majors (i.e., by November 29, 2011 for majors and December 9, 2011 for non-majors) and in the FERC Form Nos. 2 and 2–A filings for 2011, which must be filed by April 18, 2012.[135]

80. As noted above,[136] page 521 only reports fourth quarter data and not yearly data. By contrast, page 520 gives yearly totals. However, while page 520 currently breaks down LAUF into several subcategories, the revised page 520 adopted in this Final Rule combines these subcategories into a single total that is reported on line 32 of the revised page 520. Thus, the FERC Form Nos. 2 and 2–A, filings for 2011, which must be filed by April 18, 2012, should report LAUF as a single line item on line 32, and should not report the breakdowns of these data for the first six months of the reporting year.

III. Information Collection Statement

81. The Office of Management and Budget's (OMB) regulations require approval of certain information collection requirements imposed by agency rules.[137] Previously, the Commission submitted to OMB the information collection requirements arising from Order No. 710 and OMB approved those requirements.[138] The revisions to FERC Form Nos. 2, 2–A, and 3–Q adopted in this Final Rule consist of giving additional details about certain fuel cost data that the Commission already required to be reported in less detail in Order No. 710.

82. The Commission is submitting the information collection requirements imposed in this Final Rule to OMB for review and approval under section 3507(d) of the Paperwork Reduction Act of 1995.[139] Comments are solicited on the Commission's need for this information, whether the information will have practical utility, the accuracy of the burden estimates, ways to enhance the quality, utility, and clarity of the information to be collected, and any suggested methods of minimizing respondent's burden, including the use of automated information techniques.

83. This Final Rule affects the following existing data collections:

Title: FERC Form No. 2, "Annual Report for Major Natural Gas Companies"; FERC Form No. 2–A, "Annual Report for Nonmajor Natural Gas Companies"; FERC Form No. 3–Q, "Quarterly Financial Report of Electric Utilities, Licensees, and Natural Gas Companies."

Action: Proposed information collection.

OMB Control Nos. 1902–0028 (FERC Form No. 2); 1902–0030 (FERC Form No. 2–A); and 1902–0205 (FERC Form No. 3–Q).

Respondents: Businesses or other for profit.

Frequency of responses: Annually (FERC Form Nos. 2 and 2–A) and quarterly (FERC Form No. 3–Q).

Necessity of the information: The information maintained and collected under the requirements of 18 CFR 260.1, 18 CFR 260.2, and 18 CFR 260.300 is essential to the Commission's oversight duties. The data now reported in the forms does not provide sufficient information to the Commission and the public to permit an evaluation of the filers' jurisdictional rates. Since the triennial restatement of rates requirement was abolished and pipelines are no longer required to submit this information, the need for current and relevant data is greater than in the past. The information collection required by this Final Rule will increase the forms' usefulness to both the public and the Commission.

84. Without this information, it is difficult for the Commission and the public to perform an assessment of pipeline costs, and thereby help to ensure that rates are just and reasonable. The pipelines should already have this information readily available for their own use in developing separately stated fuel rates in their tariffs. In any event, we believe this additional information will allow the Commission and form users to better analyze pipeline fuel costs, an important component in assessing the justness and reasonableness of pipelines' rates.

Burden Statement: The Commission estimates that on average it will take each respondent six additional hours per collection to comply with the proposed requirements.[140] Most of the additional information required to be reported is already compiled and maintained by the pipelines. This proposal will increase the burden hours as follows:

Data collection form	Number of respondents	Change in the number of hours per respondent	Filings per year	Change in the total annual hours for this form
FERC Form No. 2	84	6	1	504
FERC Form No. 2–A	44	6	1	264
FERC Form No. 3–Q	128	6	3	2304
Totals				3072

Information Collection Costs: 3072 hours at $120/hour = $368,640.

85. Given that none of the commenters identified any errors or inaccuracies in the estimates we used in the June 2010 NOPR, we will adopt these same estimates in this Final Rule, with the exception that we are adjusting our estimate to account for our requirement to report on forwardhauls and backhauls. At paragraphs 73–74 above, we address and reject INGAA's contention that certain parts of our proposal would be burdensome.

86 *Internal Review:* The Commission has reviewed the proposed changes and has determined that the changes are necessary. These requirements conform to the Commission's need for efficient information collection, communication, and management within the energy industry. The Commission has assured itself, by means of internal review, that there is specific, objective support associated with the information requirements.

[135] *See* 18 CFR 260.300(b)(2)(vii), 18 CFR 260.1(b)(2), and 18 CFR 260.2(b)(2).

[136] *See* n.8, *supra.*

[137] 5 CFR 1320.11.

[138] OMB approved the information collections prescribed in Order No. 710 on June 27, 2008 for FERC Form No. 2 (OMB Control No. 1902–0028, ICR# 200804–1902–005) and FERC Form No. 2–A (OMB Control No. 1902–0030, ICR# 200804–1902–007) and on Oct. 8, 2008 for FERC Form No. 3–Q (OMB Control No. 1902–0205, ICR# 200804–1902–008).

[139] 44 U.S.C. 3507(d).

[140] We revised this number from five hours to six hours to reflect our additional requirement to report information on forwardhauls and backhauls.

87. Interested persons may obtain information on the reporting requirements by contacting: Federal Energy Regulatory Commission, 888 First Street, NE., Washington, DC 20426 [Attention: Ellen Brown, Office of the Executive Director, phone (202) 502–8663, fax: (202) 273–0873, e-mail: *DataClearance@ferc.gov.* For submitting comments concerning the collections of information and the associated burden estimates, please send your comments to the contact listed above and to the Office of Information and Regulatory Affairs, Office of Management and Budget, 725 17th Street, NW., Washington, DC 20503 [Attention: Desk Officer for the Federal Energy Regulatory Commission, phone: (202) 395–4638, fax: (202) 395–7285]. Due to security concerns, comments should be sent electronically to the following e-mail address: *oira_submission@omb.eop.gov.* Please refer to OMB Control Nos. 1902–0028 (FERC Form No. 2), 1902–0030 (FERC Form No. 2–A), and 1902–0205 (FERC Form No. 3–Q), and the docket number of this Final Rule in your submission.

IV. Environmental Analysis

88. The Commission is required to prepare an environmental assessment or an environmental impact statement for any action that may have a significant adverse effect on the human environment.[141] However, in 18 CFR 380.4(a)(5), we categorically excluded the type of information gathering required in this Final Rule from the requirement to prepare an environmental impact statement. Thus, we affirm the finding we made in the June 2010 NOPR that this Final Rule does not impose any requirements that might have a significant effect on the human environment and find that no environmental impact statement concerning this rule is required.

V. Regulatory Flexibility Act

89. The Regulatory Flexibility Act of 1980 (RFA)[142] generally requires a description and analysis of final rules that will have significant economic impact on a substantial number of small entities.[143] However, the RFA does not define "significant" or "substantial." Instead, the RFA leaves it up to an agency to determine the effect of its regulations on small entities. Most filing companies regulated by the Commission do not fall within the RFA's definition of small entity.

90. The Commission estimates that there are 84 Major natural gas pipeline companies and 44 Non-major companies that will be affected by the Final Rule.[144] As we stated in the June 2010 NOPR, this Final Rule will apply to all interstate natural gas companies subject to the Commission's jurisdiction. While we do not foresee that this Final Rule will have a significant impact on a substantial number of small entities within the meaning of the Regulatory Flexibility Act, we will consider granting waivers in appropriate circumstances. Moreover, our most recent information shows that only six natural gas companies not affiliated with a large natural gas company fall within the definition of a small entity and these six entities constitute only 4.7 percent of the 128 total companies.

91. Accordingly, the Commission certifies that this Final Rule will not have a significant impact on a substantial number of small entities. As a result, no regulatory flexibility analysis is required.

VI. Document Availability

92. In addition to publishing the full text of this document in the **Federal Register**, the Commission provides all interested persons an opportunity to view and/or print the contents of this document via the Internet through FERC's Home Page (*http://www.ferc.gov*) and in FERC's Public Reference Room during normal business hours (8:30 a.m. to 5 p.m. Eastern time) at 888 First Street, NE., Room 2A, Washington, DC 20426.

93. From FERC's Home Page on the Internet, this information is available on eLibrary. The full text of this document is available on eLibrary in PDF and Microsoft Word format for viewing, printing, and/or downloading. To access this document in eLibrary, type the docket number excluding the last three digits of this document in the docket number field.

94. User assistance is available for eLibrary and the FERC's Web site during normal business hours from FERC Online Support at 202–502–6652 (toll free at 1–866–208–3676) or e-mail at *ferconlinesupport@ferc.gov,* or the Public Reference Room at (202) 502–8371, TTY (202) 502–8659. E-mail the Public Reference Room at *public.referenceroom@ferc.gov.*

VII. Effective Date and Congressional Notification

95. These regulations are effective February 25, 2011. Companies subject to the requirements of this Final Rule must comply with the requirements of this rule in accordance with the implementation timeline prescribed in this preamble. The Commission has determined (with the concurrence of the Administrator of the Office of Information and Regulatory Affairs of OMB) that this rule is not a "major rule" as defined in section 351 of the Small Business Regulatory Enforcement Fairness Act of 1996.

List of Subjects in 18 CFR Part 260

Natural gas, Reporting and recordkeeping requirements.

By the Commission.

Nathaniel J. Davis, Sr.,

Deputy Secretary.

Appendix—

List of Commenters on June 2010 NOPR

(And Abbreviations Used To Identify Them)

Comments

American Gas Association (AGA)

American Public Gas Association (APGA)

Independent Oil & Gas Association of West Virginia (IOGA)

Interstate Natural Gas Association of America (INGAA)

Kansas Corporation Commission (Kansas Commission)

Natural Gas Supply Association, Independent Petroleum Association of America, Electric Power Supply Association and Process Gas Consumers Group (collectively, Associations)

Northern Natural Gas Company and Kern Gas Transmission Company (collectively, MidAmerican)

Tennessee Valley Authority (TVA)

Reply Comments

AGA

INGAA

BILLING CODE 6717–01–P

[141] *Regulations Implementing the National Environmental Policy Act,* Order No. 486, FERC Stats. & Regs., Regulations Preambles 1986–1990 ¶ 30,783 (1987).

[142] 5 U.S.C. 601–612.

[143] The RFA definition of "small entity" refers to the definition provided in the Small Business Act, which defines a "small business concern" as a business that is independently owned and operated and that is not dominant in its field of operation. 15 U.S.C. 632. The Small Business Size Standards component of the North American Industry Classification System defines a small natural gas pipeline company as one whose total annual revenues, including its affiliates, are $6.5 million or less. 13 CFR parts 121, 201.

[144] These numbers are based on the most recent filings.

Note: The following revised schedules will not be published in the Code of Federal Regulations.

Revised Schedules for FERC Form Nos. 2, 2-A and 3-Q

Name of Respondent	This Report is: (1) ☐ An Original (2) ☐ A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of Year/Qtr

Gas Account – Natural Gas

1. The purpose of this schedule is to account for the quantity of natural gas received and delivered by the respondent.
2. Natural gas means either natural gas unmixed or any mixture of natural and manufactured gas.
3. Enter in column (c) the year to date Dth as reported in the schedules indicated for the items of receipts and deliveries.
4. Enter in column (d) the respective quarter's Dth as reported in the schedules indicated for the items of receipts and deliveries.
5. Indicate in a footnote the quantities of bundled sales and transportation gas and specify the line on which such quantities are listed.
6. If the respondent operates two or more systems which are not interconnected, submit separate pages for this purpose.
7. Indicate by footnote the quantities of gas not subject to Commission regulation which did not incur FERC regulatory costs by showing: (1) the local distribution volumes another jurisdictional pipeline delivered to the local distribution company portion of the reporting pipeline; (2) the quantities that the reporting pipeline transported or sold through its local distribution facilities or intrastate facilities and which the reporting pipeline received through gathering facilities or intrastate facilities, but not through any of the interstate portion of the reporting pipeline; and (3) the gathering line quantities that were not destined for interstate market or that were not transported through any interstate portion of the reporting pipeline.
8. Indicate in a footnote the specific gas purchase expense account(s) and related to which the aggregate volumes reported on line No. 3 relate.
9. Indicate in a footnote: (1) the system supply quantities of gas that are stored by the reporting pipeline, during the reporting year and also reported as sales, transportation and compression volumes by the reporting pipeline during the same reporting year; (2) the system supply quantities of gas that are stored by the reporting pipeline during the reporting year which the reporting pipeline intends to sell or transport in a future reporting year,; and (3) contract storage quantities.
10. Also indicate the volumes of pipeline production field sales that are included in both the company's total sales figure and the company's total transportation figure. Add additional information as necessary to the footnotes.

Line No.	Item (a)	Ref. Page No. of (FERC Form Nos. 2/2-A) (b)	Total Amount of Dth Year to Date (c)	Current Three Months Ended Amount of Dth Quarterly Only (d)
1	Name of System:			
2	GAS RECEIVED			
3	Gas Purchases (Accounts 800-805)			
4	Gas of Others Received for Gathering (Account 489.1)	303		
5	Gas of Others Received for Transmission (Account 489.2)	305		
6	Gas of Others Received for Distribution (Account 489.3)	301		
7	Gas of Others Received for Contract Storage (Account 489.4)	307		
8	Gas of Others Received for Production/Extraction/Processing (Accounts 490 and 491)			
9	Exchange Gas Received from Others (Account 806)	328		
10	Gas Received as Imbalances (Account 806)	328		
11	Receipts of Respondent's Gas Transported by Others (Account 858)	332		
12	Other Gas Withdrawn from Storage (Explain)			
13	Gas Received from Shippers as Compressor Station Fuel			
14	Gas Received from Shippers as Lost and Unaccounted for			
15	Other Receipts (Specify) (footnote details)			
16	Total Receipts (Total of lines 3 thru 15)			
17	GAS DELIVERED			
18	Gas Sales (Accounts 480-484)			
19	Deliveries of Gas Gathered for Others (Account 489.1)	303		
20	Deliveries of Gas Transported for Others (Account 489.2)	305		
21	Deliveries of Gas Distributed for Others (Account 489.3)	301		
22	Deliveries of Contract Storage Gas (Account 489.4)	307		
23	Gas of Others Delivered for Production/Extraction/Processing (Accounts 490 and 491)			
24	Exchange Gas Delivered to Others (Account 806)	328		
25	Gas Delivered as Imbalances (Account 806)	328		
26	Deliveries of Gas to Others for Transportation (Account 858)	332		
27	Other Gas Delivered to Storage (Explain)			
28	Gas Used for Compressor Station Fuel	509		
29	Other Deliveries and Gas Used for Other Operations			
30	Total Deliveries (Total of lines 18 thru 29)			
31	GAS LOSSES AND GAS UNACCOUNTED FOR			
32	Gas Losses and Gas Unaccounted For			
33	TOTALS			
34	Total Deliveries, Gas Losses & Unaccounted For (Total of lines 30 and 32)			

Name of Respondent	This Report is: (1) ☐ An Original (2) ☐ A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of Year/Qtr

Shipper Supplied Gas for the Current Quarter

1. Report monthly (1) shipper supplied gas for the current quarter and gas consumed in pipeline operations, (2) the disposition of any excess, the accounting recognition given to such disposition and the specific account(s) charged or credited, and (3) the source of gas used to meet any deficiency, the accounting recognition given to the gas used to meet the deficiency, including the accounting basis of the gas and the specific account(s) charged or credited.
2. On lines 7, 14, 22 and 30 report only the dekatherms of gas provided by shippers under tariff terms and conditions for gathering , production/ extraction/processing, transmission, distribution and storage service and the use of that gas for compressor fuel, other operational purposes and lost and unaccounted for. The dekatherms must be broken out by functional categories on Lines 2-6, 9-13, 16-21 and 24-29. The dekatherms must be reported in column (d) unless the company has discounted or negotiated rates which should be reported in columns (b) and (c).
3. On lines 7, 14, 22 and 30 report only the dollar amounts of gas provided by shippers under tariff terms and conditions for gathering, production/ extraction/processing, transmission, distribution and storage service and the use of that gas for compressor fuel, other operational purposes and lost and unaccounted for. The dollar amounts must be broken out by functional categories on Lines 2-6, 9-13, 16-21 and 23-29. The dollar amounts must be reported in column (h) unless the company has discounted or negotiated rates which should be reported in columns (f) and (g). The accounting should disclose the account(s) debited and credited in columns (m) and (n).
4. Indicate in a footnote the basis for valuing the gas reported in Columns (f), (g) and (h).
5. Report in columns (j), (k) and (l) the amount of fuel waived, discounted or reduced as part of a negotiated rate agreement.
6. On lines 32-37 report the dekatherms and dollar value of the excess or deficiency in shipper supplied gas broken out by functional category and whether recourse rate, discounted or negotiated rate.
7. On lines 39 through 51 report the dekatherms, the dollar amount and the account(s) credited in Column (o) for the dispositions of gas listed in column (a).
8. On lines 53 through 65 report the dekatherms, the dollar amount and the account(s) debited in Column (n) for the sources of gas reported in column (a).
9. On lines 66 and 67, report forwardhaul and backhaul volume in Dths of throughput.
10. Where appropriate, provide a full explanation of the allocation process used in reported numbers in a footnote.

Line No.	Item (a)	Month 1 Discounted Rate Dth (b)	Month 1 Negotiated Rate Dth (c)	Month 1 Recourse Rate Dth (d)	Month 1 Total Dth (e)
1	**Shipper Supplied Gas (Lines 13 and 14 , Page 520)**				
2	Gathering				
3	Production/Extraction/Processing				
4	Transmission				
5	Distribution				
6	Storage				
7	**Total Shipper Supplied Gas**				
8	**Less Gas Used For Compressor Station Fuel (Line 28, Page 520)**				
9	Gathering				
10	Production/Extraction/Processing				
11	Transmission				
12	Distribution				
13	Storage				
14	**Total gas used in compressors**				
15	**Less Gas Used For Other Deliveries And Gas Used For Other Operations (Line 29, Page 520) (footnote)**				
16	Gathering				
17	Production/Extraction/Processing				
18	Transmission				
19	Distribution				
20	Storage				
21	Other Deliveries (specify) (footnote details)				
22	**Total Gas Used For Other Deliveries And Gas Used For Other Operations**				
23	**Less Gas Lost And Unaccounted For (Line 32, Page 520)**				
24	Gathering				
25	Production/Extraction/Processing				
26	Transmission				
27	Distribution				
28	Storage				
29	Other Losses (specify) (footnote details)				
30	**Total Gas Lost And Unaccounted For**				

Name of Respondent	This Report is: (1) ☐☐ An Original (2) ☐ A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of Year/Qtr

Shipper Supplied Gas for the Current Quarter (Continued)

Line No.	Item (a)	Month 1 Discounted Rate Dth (b)	Month 1 Negotiated Rate Dth (c)	Month 1 Recourse Rate Dth (d)	Month 1 Total Dth (e)
31	**Net Excess Or (Deficiency)**				
32	Gathering				
33	Production/Extraction				
34	Transmission				
35	Distribution				
36	Storage				
37	**Total Net Excess Or (Deficiency)**				
38	**Disposition Of Excess Gas:**				
39	Gas sold to others				
40	Gas used to meet imbalances				
41	Gas added to system gas				
42	Gas returned to shippers				
43	Other (list)				
44					
45					
46					
47					
48					
49					
50					
51	**Total Disposition Of Excess Gas**				
52	**Gas Acquired To Meet Deficiency:**				
53	System gas				
54	Purchased gas				
55	Other (list)				
56					
57					
58					
59					
60					
61					
62					
63					
64					
65	**Total Gas Acquired To Meet Deficiency**				
	SEPARATION OF FORWARDHAUL AND BACKHAUL THROUGHPUT				
66	**Forwardhaul Volume in Dths for the Quarter**				
67	**Backhaul Volume in Dths for the Quarter**				
68	**TOTAL**				

Name of Respondent	This Report is: (1) ☐ An Original (2) ☐ A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of Year/Qtr

Shipper Supplied Gas for the Current Quarter (continued)

Amount Collected (Dollars)				Volume (in Dth) Not Collected					
Month 1 Discounted Rate Amount (f)	Month 1 Negotiated Rate Amount (g)	Month 1 Recourse Rate Amount (h)	Month 1 Total Amount (i)	Month 1 Waived Dth (j)	Month 1 Discounted Dth (k)	Month 1 Negotiated Dth (l)	Month 1 Total Dth (m)	Month 1 Account(s) Debited (n)	Month 1 Account(s) Credited (o)